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## Level 3 Business Studies, 2018

### 91379 Demonstrate understanding of how internal factors interact within a business that operates in a global context

9.30 a.m. Friday 9 November 2018  
Credits: Four

Achievement	Achievement with Merit	Achievement with Excellence
Demonstrate understanding of how internal factors interact within a business that operates in a global context.	Demonstrate in-depth understanding of how internal factors interact within a business that operates in a global context.	Demonstrate comprehensive understanding of how internal factors interact within a business that operates in a global context.

Check that the National Student Number (NSN) on your admission slip is the same as the number at the top of this page.

**There is ONE task in this booklet. You should attempt ALL FOUR parts of the task.**

Refer to relevant business knowledge and/or Māori business concepts in your answers.

If you need more room for any answer, use the extra space provided at the back of this booklet.

Check that this booklet has pages 2–11 in the correct order and that none of these pages is blank.

**YOU MUST HAND THIS BOOKLET TO THE SUPERVISOR AT THE END OF THE EXAMINATION.**

Excellence

TOTAL

07

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## TASK

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- (a) Fully explain the importance to the business of introducing innovations to its production process.

In your answer, refer to:

- the reason that the process innovation would affect the costs of production
- the impact on competitors.

Innovation is the practical application of new ideas to products and processes. Due to Waiti Enterprises introducing a specialist 3D printer into their production it will make production faster with no quality issues. By increasing efficiency ~~and~~ Waiti Enterprises will ~~be~~ have decreased costs of production as they have the ability to produce more rocket launching systems in the same amount of time. As well as that due to their being no quality issues this means Waiti Enterprises aren't having to spend as much time ensuring the quality is ~~at~~ <sup>at</sup> or above the expectations they want to meet.

By using the 3D printer within their new production line Waiti Enterprises gains a competitive advantage over their competitors as they are significantly more efficient as a result of the new technology. This will give Waiti Enterprises an increased market share meaning competitors in the same industry may have to create a marketing campaign, decrease prices and so on in order to remain competitive with Waiti Enterprises. If they are unable to do so competitor's sales will decrease causing revenue to decrease eventually resulting in decreased profits.

Waiti Enterprises is aware that it needs to protect its intellectual property, such as the specialist 3D printer, from being copied by its competitors. Recently, the CEO took legal advice and learned about:

- trademarks
- patents
- copyrights.

(b) Fully explain which intellectual property (IP) the business should invest in to prevent competitors from copying the innovations it uses in its production process.

In your answer:

- state the innovation
- the reason for your choice of IP protection
- the impact that this form of protection would have on sales.

i believe that Waiti Enterprises should invest in a patent in order to protect its innovation. A patent is a monopoly right that lasts for a set period of time which prevents others from making, using or selling the innovation.

The reason I chose a patent as my intellectual property is due to the fact that Waiti Enterprises' competitors are legally not allowed to make their own specialised 3D printer if it is similar or the same as Waiti Enterprises' 3D printer. They also cannot use the specialised 3D printer in their production process which means <sup>competitors</sup> they must find other ways of increasing efficiency in their production process which are likely to be not as effective. The competitors also cannot sell the technology therefore it will always remain with only Waiti Enterprises unless they choose to opt out of the patent.

By investing in a patent Waiti Enterprises would be able to produce substantially more rocket launching system compared to their competitors as well as guaranteeing that the rockets they produce will have no issue due



to the new & specialised 3D printer in the production process. This will increase the sales of Waiti Enterprises rocket launching systems as potential consumers will be well informed that Waiti Enterprises are the only company with a specialised 3D printer therefore they will trust the reliability of the new technology and purchase from Waiti Enterprises.

Waiti Enterprises is keen to introduce some other product innovations that will significantly improve the performance of the rockets. The CEO is concerned about the speed at which some of their competitors are already innovating.

Waiti Enterprises will need to innovate quickly, and the CEO is considering two alternative approaches to managing the change process to ensure the staff are onboard:

- inclusive (input sought from all parties – may involve long meetings)
- top down (change process decided by managers only – no long meetings).

- (c) Evaluate the likely success of a top-down approach to ensure that staff are onboard and supportive of the new product innovations.

In your answer:

- fully explain ONE positive and ONE negative effect of the top-down change management approach for the business
- provide a justified conclusion, including any new information, as to the likelihood of success of the top-down change management approach for the business.

Change management is when a business needs to transfer from situation A to situation B. The top-down change management strategy involves very little input from workers and is decided by senior management.

A positive effect of the top down change management approach is that due to their being no worker consultation the change can be implemented significantly faster. This allows for training to occur sooner so workers are able to understand the new processes quicker therefore Waiti Enterprises can work at a high efficiency <sup>and</sup> relatively short time after the change occurs. ~~This~~ also due to there being no worker consultation there is unlikely to be any drop in efficiency as workers are not focusing on the change but instead they can continue working.

A negative effect of the top down change management ~~sys~~ approach is that workers feel unappreciated and disregarded during the change process. ~~the~~ As humans, whenever we feel uninvolved or not respected we tend to



retreat from those situations. Due to Waiti Enterprises's workers not being consulted they may feel betrayed as it mentioned earlier that they are loyal and talented staff who are encouraged to be involved in the innovations however in top-down this will not be the case. This may result in higher staff turnover as they are not satisfied which result in increased costs of production as Waiti Enterprises has to train new staff therefore decreasing their profits as  $\text{profits} = \text{revenue} - \text{costs}$ .

In conclusion I think the top down change management approach will be unsuccessful for Waiti Enterprises as they should consult their workers who have been very loyal and deserve a say in the changing of the business. If they were to go ahead with the top-down change approach then it is likely profits will decrease due to staff leaving, this will have a negative effect on shareholders as their dividends will decrease as the profits of Waiti Enterprises decreases. In the short term Waiti Enterprises efficiency will increase however workers will be dissatisfied therefore in the long term efficiency will decrease as workers leave the company as they may be unhappy with the change resulting in decreased efficiency, decreased sales, decreased revenue eventually leading to decreased profits for Waiti Enterprises.

Businesses should be concerned that if quality is not a focus for all staff, then the business will suffer. Two potential quality management strategies considered here are:

- Quality Assurance
- Kaizen.

(d) For a New Zealand-registered business you have studied that is operating in a global context, choose ONE of the two strategies from the above list and evaluate it for its suitability to improve the quality of the business's products.

In your answer:

- fully explain ONE positive and ONE negative effect of this quality management approach for the business
- provide a justified conclusion, including any new information, as to the suitability of this quality management approach for the business.

Name of New Zealand-registered business	Air New Zealand
Quality management approach	Quality Assurance

Quality assurance is a process in which quality is checked throughout the entire production process ensuring that the product at the end is at or above quality expectations.

One positive of quality assurance is it leads to very few mistakes and high customer satisfaction. For a company like Air New Zealand customer satisfaction is very essential as it because if their customers are satisfied it is likely they will inform friends and family of the high quality service they received flying with Air New Zealand but also they will remain loyal as they appreciate the high quality service they are provided with. This is likely to increase sales as positive customer feedback spreads. This leads to increase revenue eventually resulting in increased profits.

One negative outcome of quality assurance is that the process is very time consuming in the fact that quality must be thoroughly checked at the end of each stage of



the production process. Whilst workers are still figuring out the new quality management process ~~they~~ Air New Zealand may have decreased efficiency in ensuring everything <sup>meets</sup> ~~is above~~ customer expectations of quality. This will ~~decrease~~ increase costs of production in the short term as staff will take longer to check over everything until they become used to the new process.

In conclusion I believe quality assurance will be a high suitable quality management system. In the short term although efficiency will decrease they will have high customer satisfaction therefore although costs of production ~~they~~ <sup>will</sup> increase, sales will as well due to customer loyalty. In the long term however costs of production will decrease as Air New Zealand's staff become more confident in performing the quality assurance checks therefore increasing efficiency, sales will continue to increase as Air New Zealand continues to provide a high quality service. This will have a positive effect on all stakeholders as workers will be more satisfied with their work therefore they have higher motivation. With increased profits comes increased dividends for shareholders in Air New Zealand.



## Excellence Exemplar 2018

Subject	Level 3 Business Studies		Standard	91379	Total score	07
Q	Grade score	Annotation				
1	E7	<p><b>Part (a)</b> Not relevant for Excellence.</p> <p><b>Part (b)</b> Not relevant for Excellence.</p> <p><b>Part (c)</b> The candidate fully explained one positive and one negative effect of the top-down strategy, sufficient for Merit. The candidate also provided a justified conclusion, including new information, by comparing the strategy in the short term vs. the long term.</p> <p><b>Part (d)</b> The candidate fully explained one positive and one negative effect of the Quality Assurance strategy, sufficient for Merit. However, the candidate did not provide a justified conclusion, including new information.</p>				